

**METROPOLITAN HOSPITAL COUNCIL  
OF NEW ORLEANS AND SUBSIDIARY**

Audits of Consolidated Financial Statements

December 31, 2013 and 2012



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## Independent Auditor's Report

To the Board of Directors of  
Metropolitan Hospital Council of  
New Orleans and Subsidiary

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Metropolitan Hospital Council of New Orleans and Subsidiary (collectively, the Council), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Metropolitan Hospital Council of New Orleans and Subsidiary as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters***Other Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated June 4, 2014, on our consideration of Metropolitan Hospital Council of New Orleans and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Metropolitan Hospital Council of New Orleans and Subsidiary's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA  
June 4, 2014

**METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY**  
**Consolidated Statements of Financial Position**  
**December 31, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Cash and Cash Equivalents	\$ 679,814	\$ 1,197,692
Due from Louisiana Hospital Association	285,566	-
Prepaid Expenses	7,304	25,260
Certificates of Deposit	413,124	106,333
Accounts Receivable - Dues and Other	-	303,723
Short-Term Investments	-	454,045
Due from ShareCor, LLC	-	778
Investment in ShareCor, LLC	704,896	207,325
Property and Equipment (Net of Accumulated Depreciation of \$94,607 in 2013 and \$86,590 in 2012)	11,094	15,631
<b>Total Assets</b>	<b>\$ 2,101,798</b>	<b>\$ 2,310,787</b>
<b>Liabilities and Unrestricted Net Assets</b>		
Accounts Payable and Accrued Expenses	\$ 25,177	\$ 75,125
Due to Louisiana Hospital Association	47,417	58,733
Unearned Membership Dues	-	273,000
Unearned HHS Grant Revenue	214,600	232,989
Income Taxes Payable	25,646	28,704
<b>Total Liabilities</b>	<b>312,840</b>	<b>668,551</b>
<b>Unrestricted Net Assets</b>	<b>1,788,958</b>	<b>1,642,236</b>
<b>Total Liabilities and Unrestricted Net Assets</b>	<b>\$ 2,101,798</b>	<b>\$ 2,310,787</b>

The accompanying notes are an integral part of these consolidated financial statements.

**METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY**  
**Consolidated Statements of Activities**  
**For the Years Ended December 31, 2013 and 2012**

	2013	2012
<b>Revenues, Gains and Other Support</b>		
Membership Dues	\$ 282,125	\$ 273,000
HHS Grant Revenue	279,670	262,707
Equity in Earnings of ShareCor, LLC	497,584	419,602
Management Fees	98,726	96,000
Sponsorship Revenue	25,000	25,000
Investment Return	1,214	3,537
Education Program	1,978	1,940
Other	1,489	-
<b>Total Revenues, Gains and Other Support</b>	<b>1,187,786</b>	<b>1,081,786</b>
<b>Expenses</b>		
Program Expenses:		
HHS Grant Expenses	283,776	269,990
Contributions	91,311	40,631
Education Expenses	1,654	1,369
Management Fees	463,481	472,722
Supporting Expenses:		
Accounting and Other Professional Fees	53,294	59,198
Office and Other Expenses	25,827	24,857
Rent	25,984	25,107
Travel and Meetings	20,971	23,604
Federal/State Taxes	66,749	52,483
Depreciation and Amortization	8,017	10,674
<b>Total Expenses</b>	<b>1,041,064</b>	<b>980,635</b>
<b>Change in Unrestricted Net Assets</b>	<b>146,722</b>	<b>101,151</b>
<b>Unrestricted Net Assets, Beginning of Year</b>	<b>1,642,236</b>	<b>1,541,085</b>
<b>Unrestricted Net Assets, End of Year</b>	<b>\$ 1,788,958</b>	<b>\$ 1,642,236</b>

The accompanying notes are an integral part of these consolidated financial statements.

**METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2013 and 2012**

	2013	2012
<b>Cash Flows from Operating Activities</b>		
Change in Unrestricted Net Assets	\$ 146,722	\$ 101,151
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Used in Operating Activities		
Equity in Earnings of ShareCor, LLC	(497,584)	(419,602)
Unrealized Gain on Investments	-	(642)
Depreciation	8,017	10,674
(Increase) Decrease in:		
Accounts Receivable - Dues and Other	303,723	(30,723)
Prepaid Expenses	17,956	(13,502)
Due from Louisiana Hospital Association	(285,566)	-
Due from ShareCor, LLC	778	(778)
(Decrease) Increase in:		
Accounts Payable and Accrued Expenses	(49,935)	59,370
Due to Louisiana Hospital Association	(11,316)	(4,865)
Unearned Membership Dues	(273,000)	-
Unearned HHS Grant Revenue	(18,389)	52,043
Income Taxes Payable	(3,058)	18,441
<b>Net Cash Used in Operating Activities</b>	<b>(661,652)</b>	<b>(228,433)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Distribution of Earnings in ShareCor, LLC	-	529,466
Purchases of Certificate of Deposits	(306,791)	-
Proceeds from Certificate of Deposits	-	305,760
Purchase of Investments	-	(203,301)
Proceeds from Sale of Investments	454,045	-
Purchase of Property and Equipment	(3,480)	(3,242)
<b>Net Cash Provided by Investing Activities</b>	<b>143,774</b>	<b>628,683</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(517,878)</b>	<b>400,250</b>
<b>Cash and Cash Equivalents</b>		
Beginning	1,197,692	797,442
Ending	\$ 679,814	\$ 1,197,692

The accompanying notes are an integral part of these consolidated financial statements.

# METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

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### Note 1. Summary of Significant Accounting Policies

#### Nature of Activities

The accompanying consolidated financial statements include the accounts of the following entities collectively referred to as the Council:

Metropolitan Hospital Council of New Orleans, Inc. (MHCNO) was established and formally incorporated as a non-profit corporation in 1977. MHCNO was formed to strengthen its member hospitals in the New Orleans metropolitan area by providing a forum for attaining common goals, by supporting the provision of efficient, quality healthcare, and by serving as the recognized source of information for the hospital industry and its various publics. MHCNO represents member hospitals before health organizations, regulatory agencies, business groups and the media. MHCNO sponsors educational seminars on current healthcare issues and collects operational data on participating hospitals.

Metropolitan Management Corporation (MMC) was formed on July 1, 2003, as a wholly-owned for-profit subsidiary of MHCNO and is subject to both Federal and state income taxes. MMC's principal business activity is the sponsorship of educational programs. Revenue and expenses related to continuing education programs are recognized in the period the programs are presented.

#### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MHCNO and those of MMC. All significant inter-organizational accounts and transactions have been eliminated in the consolidated financial statements.

#### Basis of Accounting

The Council prepares its financial statements in accordance with generally accepted accounting principles, involving the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

In accordance with the provisions of the *Financial Statements of Not-for-Profit Organizations* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2013 and 2012, the entire balance of net assets was unrestricted.

#### Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.



# METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Cash and Cash Equivalents

Cash equivalents are short-term (maturities of 90 days or less), highly liquid investments, both readily convertible to known amounts of cash and not subject to significant changes in value because of changes in interest rates.

#### Investments

In accordance with the provisions of *Accounting for Certain Investments Held by Not-for-Profit Organizations* Topic of the FASB ASC, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. The unrealized gain or loss on investments is reflected in the consolidated statements of activities. At December 31, 2012, the Council's short-term investments include equity interest in a private trust established under the Louisiana Hospital Investment Pool program. Only the Council and other designated entities are permitted to contribute to the trust. The Council reports the value of its pro rata share of this trust at estimated fair market value as determined by the fair value of all underlying securities, held by the trust. The Council's interest in the trust is generally equal to the amount of funds contributed to the trust in relation to the trust's total principal, and is decreased for withdrawals of funds. The Council's interest in the trust is also credited with its pro rata share of income and expenses associated with the underlying securities recognized on an accrual basis. The trust invests principally in money markets, mutual funds, and U.S. Government securities.

#### Investments in Affiliates

Investments in affiliated companies are accounted for by the equity method of accounting under which the Council's share of the net income of the affiliated companies is recognized as income in the Council's consolidated statements of activities and added to the investment account. Dividends and distributions received from the affiliated companies are treated as a reduction of the investment account.

MHCNO directly owns 30% of the units of membership of ShareCor, LLC (ShareCor). MHCNO's wholly-owned subsidiary MMC, directly owns 20% of the units of membership of ShareCor. Accordingly, these consolidated financial statements reflect a total investment in 50% of the equity of ShareCor. The remaining 50% ownership interest in ShareCor is held by the Louisiana Hospital Association (LHA) and its affiliate.

# METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

### Note 1. Summary of Significant Accounting Policies (Continued)

Pertinent financial information for ShareCor as of December 31, 2013 and 2012 is as follows:

	2013	2012
Balance Sheet		
Assets	<u>\$ 1,816,525</u>	<u>\$ 833,420</u>
Liabilities	\$ 406,720	\$ 418,783
Equity	<u>1,409,805</u>	<u>414,637</u>
	<u>\$ 1,816,525</u>	<u>\$ 833,420</u>
Income Statement		
Revenues	\$ 1,899,201	\$ 1,696,021
Expenses	<u>904,033</u>	<u>856,818</u>
Net Income	<u>995,168</u>	<u>839,203</u>
	50%	50%
Council's Share of Net Income	<u>\$ 497,584</u>	<u>\$ 419,602</u>

#### Accounts Receivable

The Council considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is provided. If amounts become uncollectible, they are charged to operations when that determination is made. The use of this method does not differ materially from the allowance method required by accounting principles generally accepted in the United States of America.

#### Property and Equipment

Property and equipment are presented in the consolidated financial statements on the basis of cost less allowances for depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Additions, improvements, renewals and expenditures for maintenance that add materially to the productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance and repairs are charged against income. Upon retirement or disposal of an asset, the asset cost and related accumulated depreciation is removed and any gain or loss on such a transaction is recorded in other revenues.

#### Income Taxes

As mentioned above, the consolidated financial statements include the for-profit corporation MMC. Income taxes are calculated based on the tax effects of MMC transactions reported in the consolidated financial statements. The provision on the consolidated statements of activities consists of taxes currently due plus any provision for deferred taxes, which could result from different reporting methods for the consolidated financial statements versus the tax returns when applicable. Such differences were insignificant as of December 31, 2013 and 2012, and, accordingly, no deferred tax provision has been recorded to date.

# METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Fair Values of Financial Instruments

The carrying values of the Council's financial instruments including current assets and current liabilities approximate fair value. Under the FASB ASC Topic, *Fair Value Measurement*, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The FASB ASC Topic, *Fair Value Measurement*, establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 12).

The Council's measurements of fair value are made on a recurring basis, and their valuation techniques for assets and liabilities recorded at fair value are as follows:

Louisiana Hospital Investment Pool – The fair value is determined by use of calculated net asset value per ownership interest.

Certificates of Deposit – The fair value is determined using the rates currently offered for deposits of similar remaining maturities.

# METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. Reclassification had no impact on prior-year net assets.

### Note 2. Property and Equipment

A summary of property and equipment is as follows as of December 31<sup>st</sup>:

	2013	2012	Useful Lives
Furniture and Fixtures	\$ 15,457	\$ 15,457	10 Years
Office Equipment	71,582	68,102	3 to 8 Years
Leasehold Improvements	18,662	18,662	Life of the Lease
	<u>105,701</u>	<u>102,221</u>	
Less: Accumulated Depreciation	94,607	86,590	
<b>Total</b>	<u><u>\$ 11,094</u></u>	<u><u>\$ 15,631</u></u>	

Depreciation and amortization expense was \$8,017 and \$10,674, for the years ended December 31, 2013 and 2012, respectively.

### Note 3. Employee Benefit Plan

The Council participates in a multiple-employer 401(k) retirement plan with LHA. The Council contributes 10% of each employee's compensation to the 401(k) retirement plan. The Council made contributions of \$6,105 and \$7,450, to the 401(k) retirement plan during 2013 and 2012, respectively.

### Note 4. Compensated Absences and Post Employment Benefits

In addition to salaries and wages accrued in the normal course of operations, the Council adopted a Paid Time Off (PTO) policy effective January 1, 2003. The policy provides PTO benefits based on classification and length of service. During 2012 and 2013, employees were allowed to carry over a maximum of seventy-five percent of the total current annual PTO earnings. Upon termination of employment or retirement, the unused PTO benefits are payable at a maximum amount equal to seventy-five percent of the total current annual PTO earning capacity. The Council has accrued \$1,846 and \$4,617, as of December 31, 2013 and 2012, respectively, in accordance with the provisions of this policy. The amount accrued is included as a component of accounts payable and accrued expenses.

# METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

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### Note 5. Related Party Transactions

In 2013 and 2012, the Council received \$90,000 in management revenue from ShareCor which was included as management fees on the consolidated statements of activities. ShareCor pays the Council for its use of shared office space, equipment, and supplies of the Council. For the years ended December 31, 2013 and 2012, ShareCor reimbursed the Council for these expenses in the amounts of \$28,435. Certain other operating costs incurred by the Council are directly reimbursed by ShareCor and are recorded as receivables until received.

The Council incurred management fees to LHA of \$420,059, for the years ended December 31, 2013 and 2012. The Council also incurred fees for accounting services. For the years ended December 31, 2013 and 2012, accounting fees were \$29,000. These expenses are categorized within management, accounting and other professional fees on the consolidated statements of activities.

As of December 31, 2013 and 2012, the net amount due to LHA was \$47,417 and \$58,733, respectively. These amounts are included as due to LHA on the Council's consolidated statements of financial position.

In addition to the operating expenses referred to above, at December 31, 2013, the Council invoiced LHA for amounts collected by LHA on behalf of the Council from the Department of Health and Human Services. These amounts are included as a due from LHA on the Council's consolidated statements of financial position.

### Note 6. Leases

The Council leases office space under an operating lease that is cancelable any time after December 31, 2015. Rental expense under the operating lease totaled \$50,319 and 49,885, in 2013 and 2012, respectively; however, ShareCor reimbursed the Council \$24,335 for the use of office space. The amount received from ShareCor was netted against the expense for a net total of \$25,984 and \$25,550, which is reflected as rent expense on the consolidated statement of activities. The Council's lease of its office space is scheduled to terminate in December 2018.

Minimum future rentals expected to be paid on the lease as of December 31, 2013, are as follows:

December 31,	Amount
2014	\$ 51,489
2015	51,489
2016	51,489
2017	51,489
2018	<u>51,489</u>
<b>Total</b>	<b><u>\$ 257,445</u></b>

# METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

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### Note 7. Credit Risks and Other Concentrations

#### Concentration of Income

The Council owns 50% of ShareCor as discussed in Note 1. A significant source of income for the Council is the equity distributions received from ShareCor. ShareCor's primary source of income is from an on going participation in a group purchasing program. Even though management feels the revenue stream will continue for the foreseeable future, ShareCor has no control of any contract or participants in the group-repurchasing program.

#### Concentration of Credit Risk

The Council periodically maintains cash deposits in accounts with a major financial institution in excess of federally insured limits. The Council has not experienced any losses and does not believe that a significant credit risk exists as a result of this practice.

### Note 8. Income Tax Expense

Income tax expense, principally associated with the operations of MMC, consists of the following for the years ended December 31, 2013 and 2012:

	2013	2012
Current		
Federal	\$ 58,510	\$ 45,952
State	<u>8,239</u>	<u>6,531</u>
Total	<u>\$ 66,749</u>	<u>\$ 52,483</u>

Deferred taxes arising from temporary differences in the basis of assets and liabilities for financial reporting and income tax purposes were not significant and, accordingly, no provision for deferred tax expense or benefit has been included in the preparation of these consolidated financial statements.

MMC's effective tax rate is different than what would be expected if the statutory rates were applied to net income before income taxes, primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes.

### Note 9. Health & Human Services (HHS) Hospital Preparedness Program

The Council is currently engaged in three separate agreements with Louisiana Hospital Association (LHA) to provide services for the Hospital Preparedness Program. Each agreement covers a 12 month period, expiring in various months based on the respective effective date of the agreement. The Council recognizes the revenues associated with these contracts as it is earned and the expenses as they are incurred. The remaining balance of the monies received is recorded as unearned revenue within the consolidated statements of financial position. As of December 31, 2013 and 2012, the Council has recognized \$279,670 and \$262,707, respectively, in revenues; \$283,776 and \$269,990, respectively, in expenses; and has a balance of \$214,600 and \$232,989, respectively in unearned revenue.

# METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

### Note 10. Investments

The following table summarizes investment return for the years ended December 31<sup>st</sup>:

	2013	2012
Income on Investments	\$ 1,214	\$ 2,895
Unrealized Gain on Investments	-	642
<b>Investment Return</b>	<b>\$ 1,214</b>	<b>\$ 3,537</b>

### Note 11. Functional Classification of Expenses

In accordance with the provisions of the FASB ASC Topic, *Not-for-Profit Entities*, the Council is required to provide information about expenses reported by their functional classification. For classification purposes, the Council considers salaries and benefits, HHS grant expenses, contributions, professional and education expenses as program expenses. The remaining expenses are considered supporting expenses of the Council. For the years ended December 31, 2013 and 2012, program expenses were approximately 86% of the total expenses of the Council.

### Note 12. Fair Value Measurements

The Council's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the FASB ASC Topic, *Fair Value Measurement*. See Note 1 for a description of the Council's policies.

The valuation of the Council's assets and liabilities measured at fair value on a recurring basis at December 31, 2013, are as follows:

Assets	Level 1	Level 2	Level 3	Net Balance
Money Market	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	-	413,124	-	413,124
Louisiana Hospital Investment Pool	-	-	-	-
<b>Total Investments</b>	<b>\$ -</b>	<b>\$ 413,124</b>	<b>\$ -</b>	<b>\$ 413,124</b>

The valuation of the Council's assets and liabilities measured at fair value on a recurring basis at December 31, 2012, are as follows:

Assets	Level 1	Level 2	Level 3	Net Balance
Money Market	\$ 201,743	\$ -	\$ -	\$ 201,743
Certificates of Deposit	-	106,333	-	106,333
Louisiana Hospital Investment Pool	-	252,302	-	252,302
<b>Total Investments</b>	<b>\$ 201,743</b>	<b>\$ 358,635</b>	<b>\$ -</b>	<b>\$ 560,378</b>

# METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

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### Note 13. Uncertain Tax Positions

The Council accounts for uncertain tax positions in accordance with the FASB ASC Topic, *Income Taxes*. This Topic prescribes recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on recognition, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management evaluated the Council's tax positions for the year ending December 31, 2013 and concluded that the organization had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The Council's tax filings are subjected to audit by various taxing authorities. The Council's open audit periods are 2010 through 2012.

### Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued June 4, 2014, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.



**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

To the Board of Directors of  
Metropolitan Hospital Council of  
New Orleans and Subsidiary

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Metropolitan Hospital Council of New Orleans and Subsidiary (the Council), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows as of and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 4, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Metropolitan Hospital Council of New Orleans and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Metropolitan Hospital Council of New Orleans and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the partners and management of Metropolitan Hospital Council of New Orleans and Subsidiary, and the Louisiana Legislative Auditors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Metairie, LA  
June 4, 2014

# METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC. AND SUBSIDIARY

## Schedule of Findings and Responses For the Year Ended December 31, 2013

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No findings noted in current year.

For the prior year, the below finding was reported.

### **2012-01: Late Submission of Financial Statements to the Louisiana Legislative Auditor**

#### Criteria

Louisiana Revised Statute 24:513 requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Auditor Audit Advisory Council approves an extension request, based only on a natural disaster, to file the audit report with the Louisiana Legislative Auditor by a specific date.

#### Condition

The December 31, 2012 audited financial statements were not submitted to the Legislative Auditor's office by the statutory due date of June 30, 2013.

#### Effect

An audit report filed with an approved extension from the Legislative Audit after the six (6) months timeframe for any reasons other than for a natural disaster is a violation of the State audit completion and submission law.

#### Cause

The Council did not complete its financial statements in a timely manner.

#### Current Status

This finding has been resolved. The Council will file its current year consolidated financial statements by the June 30, 2014 deadline.

## **SUPPLEMENTARY INFORMATION**

**METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY**  
**Consolidating Statement of Financial Position**  
**December 31, 2013**

	<b>MHCNO</b>	<b>MMC</b>	<b>Eliminating Entries</b>	<b>Consolidated</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 601,971	\$ 77,843	\$ -	\$ 679,814
Certificate of Deposits	413,124	-	-	413,124
Short-Term Investments	-	-	-	-
Accounts Receivable - Dues and Other	-	-	-	-
Prepaid Expenses	7,304	-	-	7,304
Due from Louisiana Hospital Association	285,566	-	-	285,566
Due from ShareCor, LLC	-	-	-	-
Due from Metropolitan Management Corporation	-	-	-	-
Investment in ShareCor, LLC	442,938	261,958	-	704,896
Investment in Metropolitan Management Corporation	314,155	-	(314,155)	-
Property and Equipment, Net	11,094	-	-	11,094
<b>Total Assets</b>	<b>\$ 2,076,152</b>	<b>\$ 339,801</b>	<b>\$ (314,155)</b>	<b>\$ 2,101,798</b>
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ 25,177	\$ -	\$ -	\$ 25,177
Due to Louisiana Hospital Association	47,417	-	-	47,417
Unearned Membership Dues	-	-	-	-
Unearned HHS Grant Revenue	214,600	-	-	214,600
Income Taxes Payable	-	25,646	-	25,646
<b>Total Liabilities</b>	<b>287,194</b>	<b>25,646</b>	<b>-</b>	<b>312,840</b>
<b>Unrestricted Net Assets</b>	<b>1,788,958</b>	<b>314,155</b>	<b>(314,155)</b>	<b>1,788,958</b>
<b>Total Liabilities and Unrestricted Net Assets</b>	<b>\$ 2,076,152</b>	<b>\$ 339,801</b>	<b>\$ (314,155)</b>	<b>\$ 2,101,798</b>

See independent auditor's report.

**METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY**  
**Consolidating Statement of Financial Position**  
**December 31, 2012**

	MHCNO	MMC	Eliminating Entries	Consolidated
<b>Assets</b>				
Cash and Cash Equivalents	\$ 973,256	\$ 224,436	\$ -	\$ 1,197,692
Certificate of Deposits	106,333	-	-	106,333
Short-Term Investments	454,045	-	-	454,045
Accounts Receivable - Dues and Other	303,723	-	-	303,723
Prepaid Expenses	11,675	13,585	-	25,260
Due from ShareCor, LLC	778	-	-	778
Due from Metropolitan Management Corporation	-	-	-	-
Investment in ShareCor, LLC	144,388	62,937	-	207,325
Investment in Metropolitan Management Corporation	272,254	-	(272,254)	-
Property and Equipment, Net	15,631	-	-	15,631
<b>Total Assets</b>	<b>\$ 2,282,083</b>	<b>\$ 300,958</b>	<b>\$ (272,254)</b>	<b>\$ 2,310,787</b>
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ 75,125	\$ -	\$ -	\$ 75,125
Due to Louisiana Hospital Association	58,733	-	-	58,733
Unearned Membership Dues	273,000	-	-	273,000
Unearned HHS Grant Revenue	232,989	-	-	232,989
Income Taxes Payable	-	28,704	-	28,704
<b>Total Liabilities</b>	<b>639,847</b>	<b>28,704</b>	<b>-</b>	<b>668,551</b>
<b>Unrestricted Net Assets</b>	<b>1,642,236</b>	<b>272,254</b>	<b>(272,254)</b>	<b>1,642,236</b>
<b>Total Liabilities and Unrestricted Net Assets</b>	<b>\$ 2,282,083</b>	<b>\$ 300,958</b>	<b>\$ (272,254)</b>	<b>\$ 2,310,787</b>

See independent auditor's report.

**METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY**  
**Consolidating Statement of Activities**  
**For the Year Ended December 31, 2013**

	<b>MHCNO</b>	<b>MMC</b>	<b>Eliminating Entries</b>	<b>Consolidated</b>
<b>Revenues, Gains and Other Support</b>				
Membership Dues	\$ 282,125	\$ -	\$ -	\$ 282,125
HHS Grant Revenue	279,670	-	-	279,670
Equity in Earnings of Metropolitan Management Corporation	41,901	-	(41,901)	-
Equity Earnings in ShareCor, LLC	298,552	199,032	-	497,584
Management Fees	98,726	-	-	98,726
Sponsorship Revenue	25,000	-	-	25,000
Investment Return	1,214	-	-	1,214
Education Program	-	1,978	-	1,978
Other	309	1,180	-	1,489
<b>Total Revenues, Gains and Other Support</b>	<b>1,027,497</b>	<b>202,190</b>	<b>(41,901)</b>	<b>1,187,786</b>
<b>Expenses</b>				
Program Expenses				
HHS Grant Expenses	283,776	-	-	283,776
Contributions	211	91,100	-	91,311
Education Expenses	-	1,654	-	1,654
Management Fees	463,481	-	-	463,481
Supporting Expenses				
Accounting and Other Professional Fees	53,294	-	-	53,294
Office and Other Expenses	25,041	786	-	25,827
Rent	25,984	-	-	25,984
Travel and Meetings	20,971	-	-	20,971
Federal/State Taxes	-	66,749	-	66,749
Depreciation and Amortization	8,017	-	-	8,017
<b>Total Expenses</b>	<b>880,775</b>	<b>160,289</b>	<b>-</b>	<b>1,041,064</b>
<b>Change in Unrestricted Net Assets</b>	<b>146,722</b>	<b>41,901</b>	<b>(41,901)</b>	<b>146,722</b>
<b>Unrestricted Net Assets, Beginning of Year</b>	<b>1,642,236</b>	<b>272,254</b>	<b>(272,254)</b>	<b>1,642,236</b>
<b>Unrestricted Net Assets, End of Year</b>	<b>\$ 1,788,958</b>	<b>\$ 314,155</b>	<b>\$ (314,155)</b>	<b>\$ 1,788,958</b>

See independent auditor's report.

**METROPOLITAN HOSPITAL COUNCIL OF NEW ORLEANS, INC AND SUBSIDIARY**  
**Consolidating Statement of Activities**  
**For the Year Ended December 31, 2012**

	MHCNO	MMC	Eliminating Entries	Consolidated
<b>Revenues, Gains and Other Support</b>				
Membership Dues	\$ 273,000	\$ -	\$ -	\$ 273,000
HHS Grant Revenue	262,707	-	-	262,707
Equity in Earnings of Metropolitan Management Corporation	84,000	-	(84,000)	-
Equity Earnings in ShareCor, LLC	251,761	167,841	-	419,602
Management Fees	96,000	-	-	96,000
Sponsorship Revenue	25,000	-	-	25,000
Investment Return	3,537	-	-	3,537
Education Program	191	1,749	-	1,940
<b>Total Revenues, Gains and Other Support</b>	<b>996,196</b>	<b>169,590</b>	<b>(84,000)</b>	<b>1,081,786</b>
<b>Expenses</b>				
Program Expenses				
HHS Grant Expenses	269,990	-	-	269,990
Contributions	10,000	30,631	-	40,631
Education Expenses	-	1,369	-	1,369
Management Fees	472,722	-	-	472,722
Supporting Expenses				
Accounting and Other Professional Fees	58,223	975	-	59,198
Office and Other Expenses	24,725	132	-	24,857
Rent	25,107	-	-	25,107
Travel and Meetings	23,604	-	-	23,604
Federal/State Taxes	-	52,483	-	52,483
Depreciation and Amortization	10,674	-	-	10,674
<b>Total Expenses</b>	<b>895,045</b>	<b>85,590</b>	<b>-</b>	<b>980,635</b>
<b>Change in Unrestricted Net Assets</b>	<b>101,151</b>	<b>84,000</b>	<b>(84,000)</b>	<b>101,151</b>
<b>Unrestricted Net Assets, Beginning of Year</b>	<b>1,541,085</b>	<b>188,254</b>	<b>(188,254)</b>	<b>1,541,085</b>
<b>Unrestricted Net Assets, End of Year</b>	<b>\$ 1,642,236</b>	<b>\$ 272,254</b>	<b>\$ (272,254)</b>	<b>\$ 1,642,236</b>

See independent auditor's report.